

**ANNUAL USE OF CAPITAL SURVEY - 2009****NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

PSB Financial Corporation

Person to be contacted regarding this report:	Clay Abington
CPP Funds Received:	\$9,270,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	2/27/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	939753
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	8801
City:	Many
State:	Louisiana

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	While like most banks loan demand has declined, a concerted effort was put forth to grow loans. The current balance of loans originated since February 2009 total 52 million.
---	---

<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Most of the areas served by Peoples State Bank are rural. Loans tend to be primarily to low to moderate income families and small business concerns.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Increase in the bank's liquidity via federal funds sold
<input checked="" type="checkbox"/>	Make other investments	The bank's liquidity improved due to the injection of CPP funds. Although this does not fall under the category of "other investments" the bank paid 2.9 million to the FDIC for insurance assessments
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Loan Loss Reserve account was increased 1.7 million

✕	Reduce borrowings	FHLB Borrowings decreased on average \$5,800,000. Other Borrowings decreased on average \$3,300,000.
✕	Increase charge-offs	Loans charged off during the period totalled 1.4 million
✕	Purchase another financial institution or purchase assets from another financial institution	There have been no banks fail in the market areas served by Peoples State Bank. Should this unfortunate event occur, and assuming PSB would be invited to bid, the bank would consider such a purchase if it made strategic sense.
✕	Held as non-leveraged increase to total capital	Increased Capital on average \$6,800,000.

What actions were you able to avoid because of the capital infusion of CPP funds?

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Peoples State Bank serves mostly rural low to moderate income level families and small businesses. These families and small businesses depend greatly upon Peoples State Bank and have since 1913. While economically speaking the markets served have been fortunate as compared to other parts of the nation, there still exists a great deal of uncertainty. Timber is a big part of the local economy served by Peoples State Bank. Plant closures have occurred in some parts of Louisiana. While no plant closures have occurred in our market area the risk is still high primarily due to the nationwide decline in housing, construction, and shipping cardboard. In addition the Poultry Industry is another big part of the local economy. Pilgrims Pride filed for bankruptcy protection. Peoples State Bank has a significant exposure in the poultry industry. These loans are directly related to the financial health of Pilgrims Pride. Pilgrims Pride's financial position has continued to improve however they have yet to emerge from bankruptcy.

One of the bank's market is in the NW part of Caddo Parish. It was announced last year that GM will be closing their Hummer and small truck plant in Shreveport in 2012.

In the interim, while the economy continues to improve, the CPP funds have provided additional financial stability for Peoples State Bank, its customers and for the communities the bank serves.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

Additional FDIC insurance assessments paid in 2009 of 2.9 million.